

STATE OF MICHIGAN
SOCIAL IMPACT BONDS – PAY FOR SUCCESS BASED FINANCING
REQUEST FOR INFORMATION
PROJECT NUMBER: #0071141113B0000535

Dear Brandon Samuel,

The intent of this letter is to advise you of our interest in the State of Michigan Social Impact Bonds project. We are submitting a proposal for consideration from The SOURCE.

Project Overview:

The SOURCE is a members-only, shared cost, nonprofit business collaborative that was created and is driven by West Michigan business owners. The SOURCE partners with government, business and over 45 community organizations to increase employee retention rates, provide soft and hard skills trainings, strengthen families, and build community. This cross-sector network utilizes a shared cost model to meet the personal, employment, and training needs of employees and their families. Our long-term goal is to support economic and personal self-sufficiency. We provide a solid ROI to CEO's, proving that it is in their best financial interest to care for all their employees. SOURCE case managers work with anyone within the member companies, regardless of income level. We also work with employee spouses and their children to provide holistic services.

Starting in 2003, The SOURCE has grown to 20 member companies across 5 sectors. Employers justify The SOURCE fees as we are able to reduce their turnover, HR and training costs.

- 20 member companies that employ over 7,000 employees
- 5 Sectors – Manufacturing, Healthcare, Service, Education, Employment
- Over 10% of the employees are receiving welfare benefits.
- Of those 10% - 97% retained employment after a full year.
- The SOURCE contracts with DHS for 3 caseworkers who work directly with those receiving welfare benefits.
- Our average ROI for the fiscal year ending September 30th, 2013 was 219%

Given our history and success rate, we would use the Social Impact Bond to work with employees that are receiving welfare entitlement benefits with the goal of assisting them to transition off of all welfare (State and Federal) entitlement programs. We are currently working with 858 individuals that are receiving welfare benefits.

- ***Availability of performance measures for assessing outcomes.***

The SOURCE has the ability to track and report on performance measurements that calculate returns on investment and can demonstrate that its programs produce significant savings to its member companies and to the State. The yearly employment retention rate of welfare recipients within The SOURCE member network averaged 97.63% last year. The SOURCE provided an average ROI of 219% to its member companies for the retention and training services that it provided. We also believe that we are able to transition more welfare recipients off of welfare entitlement benefits than any other organization in the state. We have requested data from the State of Michigan which will help proving this assertion.

Additionally, we are working with Community Research Institute to show our Social Return on Investment to the community and to the State of Michigan. We are in need of data from the State of Michigan to finalize this project.

- ***A strong evidence base indicating that the intervention model is likely to achieve the outcome targets.***

The SOURCE model was inspired by Cascade Engineering's Welfare to Career program. We have evidence that both programs have and continue to assist welfare recipients' to transition out of poverty. Our goal is to prove the efficacy of our program through the utilization and resources of the Social Impact Bond.

- ***A sufficient and well defined participant base (at minimum, initiatives must serve 200 participants per year).***

The SOURCE currently works with 858 welfare recipients who are employed by our member companies.

- ***Ability to take the initiative to scale if results show that the initiative is working.***

The SOURCE has successfully replicated our model twice in Colorado and once in Seattle. We are in conversations with communities and business leaders across the nation. Our model works to make businesses more profitable while supporting the needs of their employees.

- ***Clear and identifiable state budgetary savings.***

Over 10% of the employees of our member companies are receiving welfare benefits. Due to our methods and procedures, we are able to assist many of them off of these costly services. We can prove our efficacy and the savings to the State of Michigan through the reduction of citizens who require welfare benefits to sustain their lives.

This model will reduce the number of welfare recipients' in the State of Michigan and if replicated, has the potential to be replicated at the local, regional and State level.

In addition, The SOURCE is a grant recipient of the W.K. Kellogg Foundation. The Kellogg Foundation is in full support of our program and strongly urges us to submit a Social Impact Bond proposal.

We appreciate your consideration of our proposal.

The Source
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